

WAR ASSETS ADMINISTRATION
REGION 5
CHICAGO, ILLINOIS

STATISTICAL DIGEST

July 15, 1947

Prepared
by
Organization and Methods Division,
Statistics Branch

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Table 1
Operating Statement
Consumer & Capital Goods
January-June 1947

	<u>End of Month Inventory</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Recovery Rate</u>
	\$	\$	\$	%
January	308,887,000	2,627,000	37,438,000	26
February	318,538,000	29,167,000	19,515,000	21
March	308,477,000	12,362,000	22,147,000	22
April	306,313,000	20,623,000	22,786,000	18
May	284,432,000	-1,145,000	20,732,000	14
June	274,975,000	23,954,000	33,407,000	11

Inventories

Region V's inventory on June 30 was the lowest in the last 19 months. Most sections of the regional inventory have been affected by this trend. For instance, in the January 1-June 30 period only 9 of 68 sales sections failed to reduce their inventories; that is, since the first of the year most sales sections sold property at a faster rate than they acquired it.

Net acquisitions in June (\$24 million) were the highest since February. This high level of acquisitions was due to the fact that more property was declared to the Region in June than in any month since November 1946. These substantial acquisitions were, however, concentrated in two categories of property--electronic and steam equipment. In June, in total, the other 66 sales sections lost more property through owning-agency withdrawals and inter-regional transfers than they acquired through new declarations. It is also notable that more property was transferred from sites to warehouses in June (\$16 million) than in the entire preceding 8 months.

Disposals

Disposals in June (\$33 million) were the largest since January and the fourth largest in the history of Region V. Electronic disposals comprised 40% of this \$33 million. In addition to the disposal of \$14 million of electronic equipment for which the Region is accountable, the regional Scrap Disposal Division supervised the disposal by "industry agents" of \$20 million of scrap electronic equipment not technically charged against the regional inventory. Thus, all totaled, the Region was wholly or partly responsible in June for the disposal of \$34 million of electronic equipment.

Notwithstanding the record electronic disposals, June total disposals fell about 40% short of the \$60 million sales estimated for June by the Office of General Disposal in submitting its personnel requirements for the current fiscal year to the Budget Division last May.

Recovery Rate

The regional recovery rate in June dropped to 11%, the lowest in the experience of Region V. This drop was due largely to the substantial sales of electronics equipment which realized a recovery rate of less than 1%. Deducting electronics from both months, the June recovery rate was 16%, or slightly lower than in May. However, 6 out of 9 sales divisions had higher recovery rates in June than in May, the rate ranging from 42% for Metals to 6% for Hardware, Plumbing, & General Products.

Disposal Rate

At the June rate of disposal, two out of every three sales sections would require more than a year to liquidate their present IBM inventories. This calculation does not allow for the substantial additional acquisitions anticipated in coming months.

Future acquisitions in Region V (excluding electronics), estimated on the basis of data supplied by the Washington TAA office, will probably equal and may exceed the present IBM inventory (\$275 million). In addition, the Scrap Disposal Division anticipates electronics acquisitions of roughly \$50 million to \$100 million.

Offerings

Regional offerings in June amounted to \$98 million of which 78% were continuous, fixed-price offerings; 6% were fixed-price offerings which closed in June; and 16% were bid offerings which closed in June.

On July 3 current offerings amounted to \$71 million and future offerings to \$25 million. This \$25 million of future offerings is the lowest since January 30, the earliest date for which the Statistics Branch has weekly data on regional offerings.

Available offerings-statistics provide a basis for analyzing the June sales results. First, it should be noted that regional sales programs were, on the average, 25% effective in June; that is, 25% of the property offered was sold. However, all phases of this program were not equally effective. First, bid offerings were more than 90% effective; fixed-price offerings which closed in June were 55% effective; and continuous fixed-price offerings were only 10% effective.

These data indicate that continuous fixed-price offerings were distinctly the least effective method of offering, and since 80% of regional offerings were on a continuous fixed-price basis, a failure to achieve greater sales can be attributed largely to the relative ineffectiveness of continuous fixed-price sales.

It should be noted that the Washington office has recently stated that regional offerings, to be considered successful, must attain a disposal rate of two-thirds or 67% (General Letter No. 111, Revised). Only 3 of 7 regional fixed-price offerings which closed in June attained this rate.

Income & Expense

Table 2
Income & Expense

	<u>Millions of \$</u>	
	<u>July 1, 1946</u>	<u>June 1947</u>
	<u>to</u>	
	<u>June 30, 1947</u>	
Total Income		
Capital & Consumer Goods Sales	\$ 62.78	\$2.92
Real Property Sales	82.89	2.27
Rents & Interest	2.95	0.33
Total	<u>148.62</u>	<u>5.52</u>
Total Expense		
Salaries & Wages	12.75	1.32
Reimbursement to Owning Agencies	6.84	0.17
Protection & Maintenance of Property	1.56	0.14
Warehouse Operation Costs	3.76	0.39
Misc. Contractual Services	1.56	0.25
Rents & Utilities	1.16	0.16
Plant Clearance	1.39	0.15
Broker-Dealer Agreements	0.93	-0.29
Supplies, Materials & Equipment	0.83	0.14
Printing & Binding	0.27	0.12
Site Sale Costs	0.37	0.02
Other	0.80	0.11
Total	<u>32.22</u>	<u>2.68</u>
Excess of Income over Expense	<u>116.40</u>	<u>2.84</u>

Regional income increased substantially in June over May due to an increase in real property sales. Regional income from the sale of consumer and capital goods increased by only \$15,000 in June over May, notwithstanding an increase in regional disposals by \$12,700,000.

Seventy-six per cent (76%) of the regional income from the sale of consumer and capital goods in June came from 4 out of 68 sales sections. These sections were: machine tools, iron & steel, non-ferrous metals, clothing & apparel.

Regional expenses in June increased generally over May. The increase in salaries and wages, the largest item of regional expense, arose mainly from the employment of additional personnel in connection with the refirming of inventory.

The same broad trends which characterized June income and expenses also applied to the entire fiscal year 1947 just closed. Thus, metal-working equipment which now constitutes 38% of the regional inventory realized 30% of the regional income from the sale of consumer and capital goods in the fiscal year 1947. On the other hand, 4 divisions--Hardware, Plumbing, & General Products; Paper, Furniture, & Office Machinery; Materials & Supplies; Drugs & Medicals--now holding 10% of the regional inventory, realized 10% of the income from the sale of consumer and capital goods in this same period. Salaries & wages throughout the fiscal year 1947 averaged close to 50% of all regional expenses. At the present employment level in Region V, this amounts to salary & wage costs of approximately \$6,000 an hour.

If the June recovery rate and disposal rate prevail in coming months, Region V will realize approximately \$40 million from the sale of its present IBM inventory over the next 14 months, or an average of slightly less than \$3 million per month.

Outlook for Region V

The specialized character and the questionable condition of a substantial portion of the regional inventory makes it difficult to appraise the market for certain items of surplus property. On the other hand, business conditions in private industry do provide a general indication of the market for standardized surplus property in good repair, and even for specialized, fair-condition property which can be converted and repaired at nominal cost.

The market for machine tools continues to hold top importance for Region V since approximately 30% (\$80 million) of Region V's inventory consists of machine tools. Although the over-all machine-tool market in 1947 is expected to fall short of 1946 by 30%, the export market for machine tools continues strong. Noble Clark, foreign sales manager of Warner & Swasey,

the nation's largest machine-tool builder, stated, after a recent market-trip through 12 European countries, that "machine tools are second only to food on the 'must' lists of European countries." Since foreign-trade experts anticipate that a lack of funds may limit foreign purchases of United States products after January 1, 1948, prompt action will be necessary to take full advantage of the substantial export market now existing. Region V in June made less than 1% of its machine-tool sales in foreign markets vs. 25% made in foreign markets by private machine-tool firms.

Deducting the machine-tool section, over 50% of Region V's remaining inventory is held by another 10 or 12 sales sections. The largest of these is the steam equipment section with an IBM inventory of \$37 million. Most of the dollar value of this inventory is in more than 1,500 troop sleeping-cars currently being offered at continuous sale at fixed prices. Since railway equipment is generally in very short supply and since the troop sleeping-cars are adaptable to civilian use, the steam equipment inventory should be readily salable.

In addition to machine tools and steam equipment, Region V has about \$60 million of other industrial machinery and equipment in its IBM inventory. Some of this equipment is used or specialized, and may, therefore, be difficult to sell. However, that portion of the inventory which is standard equipment in good condition should find a ready market since the industrial equipment market today is generally good, and most firms are still busy trying to work off backlogs of demand.

Iron and steel and various non-ferrous metals comprise another \$18 million of Region V's IBM inventory. Steel in the private economy is generally in very short supply, notwithstanding the fact that most mills have been operating at maximum capacity. This extreme shortage is not likely to persist for many more months. D. F. Austin, Vice-President of U. S. Steel Corporation, recently predicted that private industry would be able to fill all needs by the end of 1947. He noted that private steel-making capacity is already above normal consumption requirements, but a war-born backlog of demand sustains present production. Steel scrap is also in very short supply and its price is currently rising. Except for copper, which is still in short supply, non-ferrous metals are generally in adequate supply in the private economy. The supply of non-ferrous metal scrap, however, has outrun the capacity of smelters to process it. July may be a rather dull month for the sale of surplus non-ferrous metals since most non-ferrous metals mills close for several weeks in July for semi-annual inventory-taking and general vacations.

Clothing and apparel (\$6 million) constitute another of Region V's largest sales sections. Clothing and apparel disposals and recovery rate in June were the highest since last January. However, since varied items

of military clothing, much of it used, comprise the largest segment of this inventory, and since private industry is once again in a position to supply practically all civilian clothing demands, Region V's clothing inventory may prove increasingly difficult to sell in coming months, except at a low recovery rate. Moreover, the longer that this inventory is held, the lower the recovery rate is likely to be.

Customer Service

Customer service activity in June moved downward in Chicago but upward in Milwaukee. The Chicago Customer Service Center in June had slightly fewer visitors, 25% fewer sales, and less than 50% dollar sales (\$910,470 at selling prices) than in May. The Milwaukee Customer Service, on the other hand, had more visitors and larger dollar sales (\$750,973 at selling prices) in June than in May. However, approximately 10% fewer sales were made in Milwaukee in June than in May.

Iron & Steel Scrap Activity

Iron and steel scrap in private industry is currently in very short supply, and WAA has been criticized in Congress and in industry for not releasing more scrap. In line with this, the Washington WAA office recently requested the regions to report monthly on iron and steel commodities purchased by commercial buyers for their basic metal content. Regional reports are to be consolidated by the Washington WAA office to inform "the White House" on WAA's contribution toward relieving the iron and steel scrap shortage.

In June, purchases from Region V at scrap value of over-age machine tools, tanks, piping and other iron and steel commodities approximated 400 tons. The Scrap Disposal Division estimates that in July such purchases will increase 60% over June.

The 400-tons figure for June is a minimum. Possibly, other commodities bought from Region V were purchased solely for their basic metal content, but there is no way of estimating this tonnage since Region V generally has no way of knowing to what use buyers put the property they purchase from WAA.

Inter-regional Comparison

Region V's turnover rate in June was slightly lower than the average turnover rate of Zone III, but equal to or higher than the turnover rate of 3 of the other 5 regions in Zone III. The average turnover rate of Zone III was bolstered by Region XV's (Cleveland) transfer without reimbursement of almost 30% of its inventory.

Region V's recovery rate in June (11%) was the lowest of any region in Zone III. The average recovery rate for Zone III was 16%.

On June 30, Region V had \$71,000 of inventory per employee or roughly equivalent to the average for Zone III.

Sales Claims

Region V's record on claims showed substantial improvement in June. Although slightly fewer claims were settled in June (370) than in May (395), fewer new claims were received in June, so that the number of unsettled claims on June 30 (891) was the lowest in a year.

The claims record in June improved on two other counts. (1) Long-outstanding claims have been an important source of customer ill-will for Region V. In June, Region V settled relatively more of these older claims (2 to 12 months old) than it did of newer claims, so that on June 30 older claims amounted to 54% of total claims vs. 62% on May 31. (2) Region V settled its claims on more advantageous terms in June than in May. Settlements averaged 63% of the dollar amount of claims settled in June vs. 72% in May.

As in previous months, most claims settled arose from two sources: misrepresentation of the kind or condition of property in selling (44%) and shortages in delivery (34%).

Sales Document Backlog

Two large backlogs exist in the processing of sales documents. The largest of these is in the Collection Section of the Accounting Division. On July 10, this backlog amounted to 7,396 documents. However, this backlog in the Collection Section is primarily dependent upon, and, in fact, grows out of the second major backlog in the Traffic Division.

On July 10, the Traffic Division had 6,576 documents on hand. In its latest weekly report, the Traffic Division has not aged these documents, but it seems evident that most of these have been on hand for more than 2 weeks and many for more than a month. This statement is based on the fact that, first, on April 25 the Traffic Division reported 2,751 documents on hand, 66% of which were at least 2 weeks old and 45% of which were at least one month old. Second, in the April 25-July 10 period the Traffic Division, according to its weekly report, has received twice as many documents as it has processed, so that its backlog is now certainly larger and probably older than it was 2 months ago.

Warehousing Operation

At the beginning of June, Region V had one-sixth of all WAA usable warehouse space. Over the past six months, Region V has occupied roughly 75% of the usable space at its disposal. This figure is somewhat lower than public warehouses whose occupancy rate has averaged 90%. However, Region V's occupancy rate has in recent months exceeded the average occupancy rate of other WAA regions by about 10%. The occupancy rate in Region V at the larger disposal centers has ranged from 86% at Warehouse #21 (Gary Armor Plate Plant) to 63% at Warehouse #12 (Milwaukee Ordnance).

Personnel

On June 30, total regional personnel numbered 3,884, which represented an increase of 235 employees over May 31. This increase was due entirely to a gain in Regular employees since "Schedule A" employees declined for the 6th successive month. "Schedule A" employees on June 30 numbered only 194 as compared to the January 1 peak of 1,495. The increase in Regular employees arose from the employment of additional personnel for inventory refirming. Personnel employed in most other units of the regional organization declined generally in June.

In the interest of agency economy, the Washington office has instructed the regions to encourage employees to take compensatory time off in slack periods in lieu of receiving overtime payment (General Letter No. 136). This policy has been in effect in Region V since May 18. Since that date the ratio of compensatory-time-off requested by employees to total overtime worked has steadily increased. However, this ratio is still very small as evidenced by the fact that in the pay-period ending June 28, employees requested only 2.6% of all overtime worked in the form of compensatory time off. The Inspection Division was omitted from this analysis since temporary refirming employees in the Inspection Division accounted for much of the total overtime worked in June, but the compensatory time-off policy cannot feasibly be applied to these employees.